

CRTC kills Northwestel's monopoly

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By Josh Kerr

Mike Thomas/Yukon News



Northwestel's monopoly in the North may soon be a thing of the past.

In a decision this week, the Canadian Radio-television and Telecommunications Commission opened the North to competition for local telephone services.

Up until now, Northwestel had an iron grip on the use of the 867 area code.

In its decision, the commission also refused to grant the telco the \$2 rate increase that it had asked for, rebuking the company for under investing in its network infrastructure despite a "strong financial performance."

Last year, Northwestel reported an income of \$69.3 million, nearly double what it took in 2007.

At the same time, the company was collecting more than \$20 million each year in annual subsidies from the National Contribution Fund.

"We are disappointed that Northwestel, which has until now been the sole provider of local telephone service in the North, has not made a greater effort to improve its services," said Leonard Katz, the commission's vice-chairman of telecommunications. "Many communities have been plagued by service outages and certain features are not widely available to customers.

"Northern residents deserve to have access to reliable and high-quality services comparable to those offered in the rest of the country."

The decision didn't come as a surprise to Roger Rondeau, president of the Utilities Consumer Group.

His group was one of a number of interveners that made submissions at the recent hearings in Yellowknife that examined Northwestel's operations.

"Every intervener that was there made it loud and clear," he said. "We were in a united voice asking for competition."

The commission's decision may have not come as a surprise to Northwestel either.

Last month the company laid off 29 employees in what it said was an effort "to be better prepared for the changes in our industry, the competitive

landscape and the global economy.”

As of press time, Northwestel had not responded to requests for an interview.

While the commission's decision might not have been welcome news for Northwestel, it is a boon for its competition.

“It's positive news,” said Dean Proctor, the chief development officer for SSi Group, an internet and telecommunications company based in Yellowknife.

“The North is booming right now,” he said. “We certainly see a lot of opportunity for growth in the North and we really want to harness that.”

The commission expects that there will be local competition in the region by the spring.

“They also set out some fairly specific items that should be addressed to allow competitors in,” said Proctor.

“Probably the most important aspect of all this that each carrier should be responsible for their own costs.”

Northwestel had argued that upgrading its network to allow competitors in would be too cost prohibitive.

But the commission disagreed.

It said that the telco had woefully under invested in infrastructure upgrades.

A majority of Northwestel's switches are more than 15 years old, well beyond their estimated useful life, wrote the commission.

“A telecommunications system that hasn't been upgraded in 20 years is just unheard of on the face of Earth,” said Proctor. “They were trying to hoist a lot of costs of their own lack of investment onto the competition, but happily the commission saw through that.”

“We can't be stuck with the bill because they haven't invested in their network, that's craziness.”

The commission also denied Northwestel's request for funding to upgrade the infrastructure of remote communities. Upgrades to enable things like call display.

“The company should have had a plan in place several years ago for the appropriate capital investments to replace the system,” the commission said.

For now, Northwestel gets to keep its current pricing framework and its \$20.5 million annual subsidy. However, over the next two years the commission plans to take a closer look at how the company is regulated.

In addition, the commission is demanding that Northwestel provide a detailed plan about how it proposes to update its infrastructure.

The Telco has six months to work that out.

In the meantime, Northwestel is going to start having to compete for customers.

SSi will now be able to offer phone services in the more than 50 communities across the North where it has its own networks.

In the Yukon however, it's a different story.

The only fiber-optic link to the south is controlled by Northwestel.

Accessing that link costs more than 3,000 per cent more than it would anywhere else in the country, said Proctor.

“In a majority of our communities it's satellite only,” he said. “In those markets where Northwestel does not control that bottleneck we feel fairly comfortable that we can compete.”

“But markets where Northwestel has monopoly control of the link to the South, those rates have to be fixed, otherwise there won't be competition.”

“That's a real issue for the Yukon.”

SSi has lodged a complaint over Northwestel's exorbitant data rates, but the commission has yet to make a ruling.

“As it is right now, there are still some fairly big outstanding questions,” said Proctor. “We've never hidden the fact that we're very interested in the Yukon, but there are some more pieces of the puzzle that have to come down before that decision can be made.”

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